

BUDGET **TO**



Solid Waste Management Services 2021 Operating Budget and 2021-2030 Capital Budget & Plan Briefing to Budget Committee

November 6, 2020

Overview

Description

Solid Waste Management Services collects, transports, processes, composts and disposes of municipal and some private sector waste, recyclables, organics, electronics waste and household hazardous waste.

SWMS manages three collection yards and one litter collection yard, seven transfer stations, six household hazardous waste depots, two organics processing facilities, Green Lane Landfill and 160 former landfills.

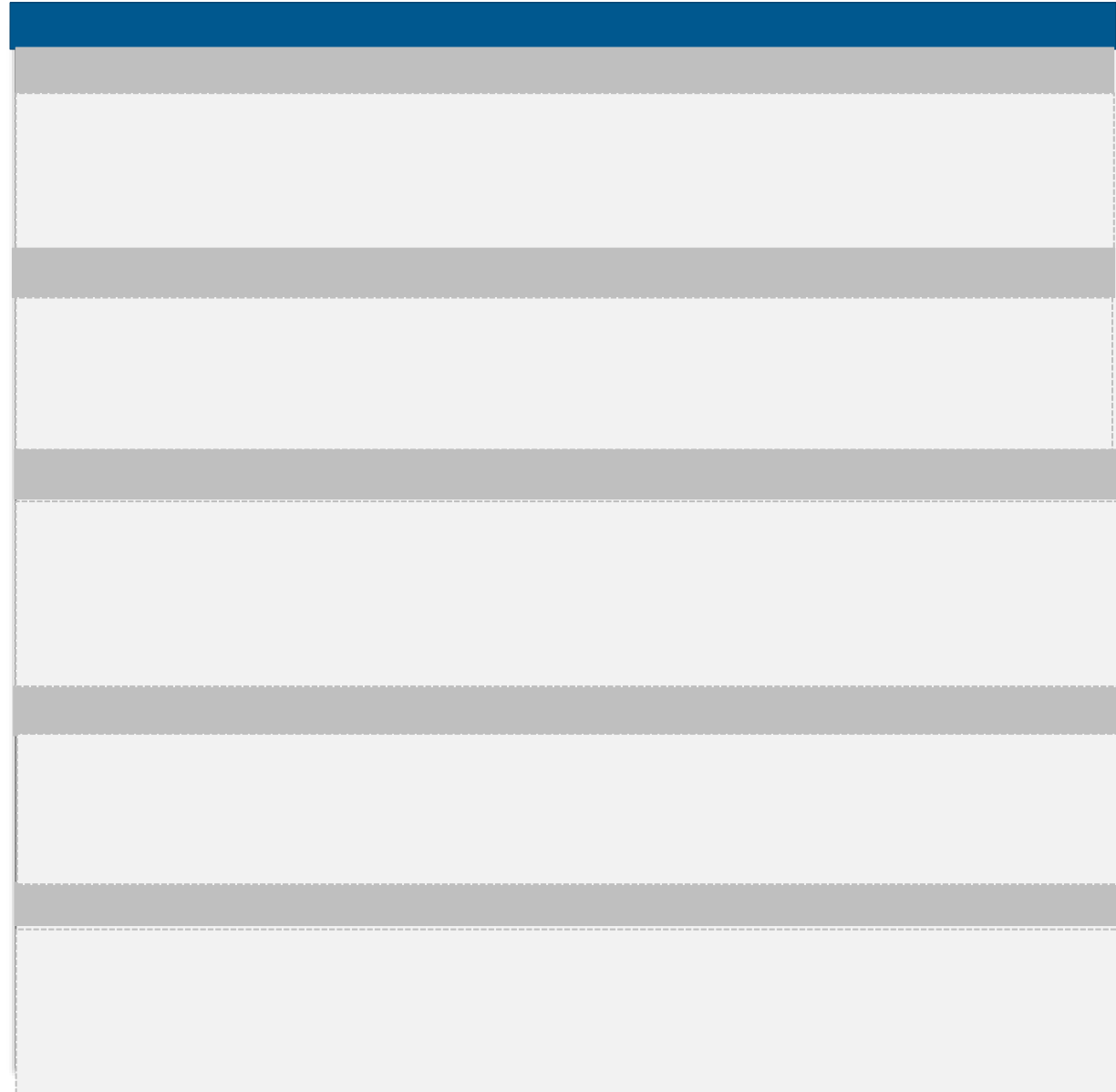
SWMS customers include single-family homes, multi-residential buildings, small businesses, street and parks bins, special events, schools, City divisions agencies and corporations, and private waste is accepted at out Drop-off Depots and landfill.

SWMS also provides city-wide benefits through litter pick-up, parks bin and street litter bin collection, promotion and education, community outreach and Community Environment Days.

Why We Do It

Solid Waste Management Services ensures that Torontonians live in a city where:

- waste is collected in a timely, safe, reliable and efficient manner; and
- waste is managed in an innovative, environmentally and fiscally sustainable manner.

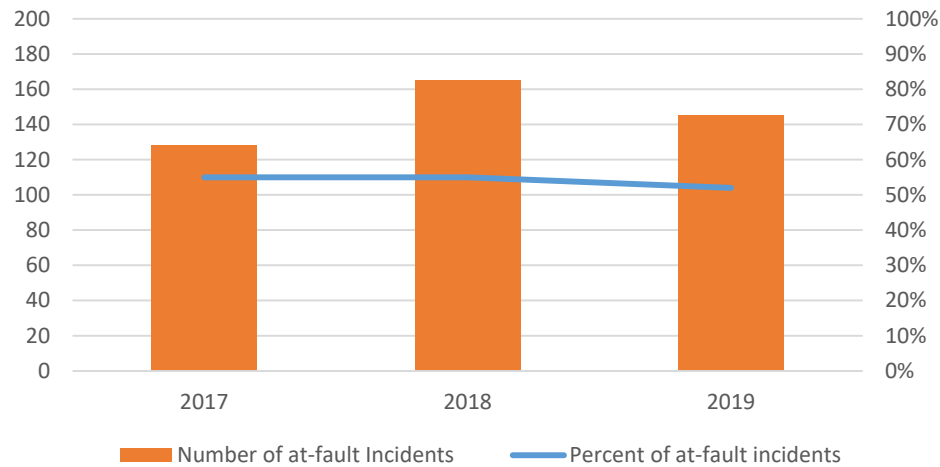


What We Are Doing – Service Levels

Service	Service Measure	2018 Actual	2019 Actual	2020 Target	2020 Projection	2021 Target	2022 Target	Status
Service Level Measures								
City Beautification	Litter pick-up, parks bins, street bins	1 to 7 times collection per week	1 to 7 times collection per week	1 to 7 times collection per week	1 to 7 times collection per week	1 to 7 times collection per week	1 to 7 times collection per week	●
Residual Management	Compliance with all Certificates of Approval	100%	100%	100%	100%	100%	100%	●
Collection and transfer	Collection of Garbage, Recyclables and Organics	Bi-weekly to 1 to 2 times per week, depending on customer type	Bi-weekly to 1 to 2 times per week, depending on customer type	Bi-weekly to 1 to 2 times per week, depending on customer type	Bi-weekly to 1 to 2 times per week, depending on customer type	Bi-weekly to 1 to 2 times per week, depending on customer type	Bi-weekly to 1 to 2 times per week, depending on customer type	●
	Reliability of Collection for Single-Family Households	99.97%	99.97%	99.97%	99.97%	99.97%	99.97%	
Education	Community Environment Days	44 events per year	46 events per year	On demand up to 26 events per year	7 events per year at Transfer Stations	Up to 26 per year plus 7 events at Transfer Stations	Up to 26 per year plus 7 events at Transfer Stations	●
Processing and Transport	Compliance with all Certificates of Approval	100%	100%	100%	100%	100%	100%	●

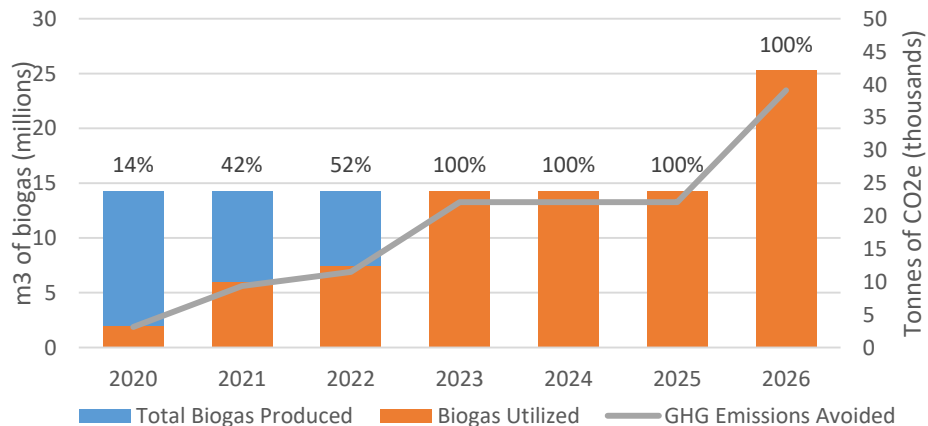
How Well We Are Doing – Results Based Accountability Outcomes

At-Fault Vehicle-Related Incidents



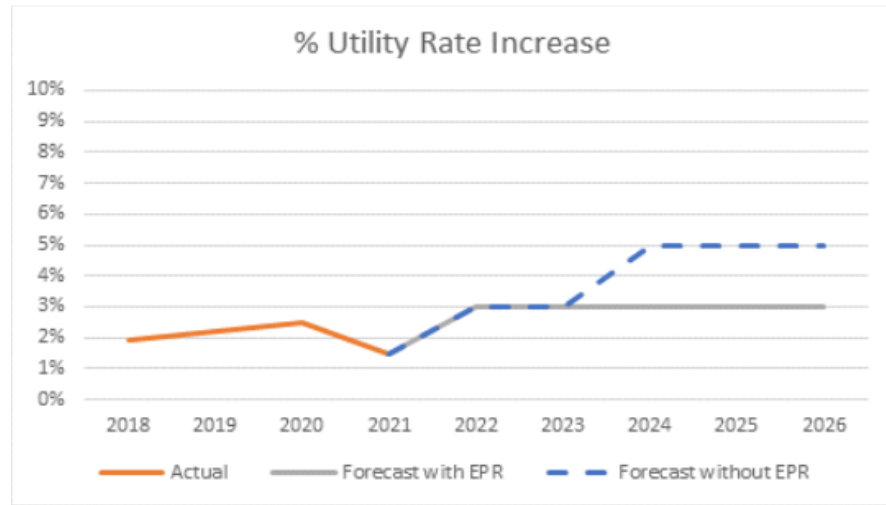
- Solid Waste Management Services is investing in staff, equipment and facilities to ensure staff and the public are safe on the road. These investments include:
 - Working toward Vision Zero by outfitting vehicles with safety equipment (e.g. side guards and in cab cameras)
 - Hiring Health & Safety staff
 - Enhanced training for new staff
 - Opening the Keele Valley Training Centre for driver training
 - Working in partnership with Fleet Services

Estimated Biogas from Organics Processing Facilities Converted to Renewable Energy

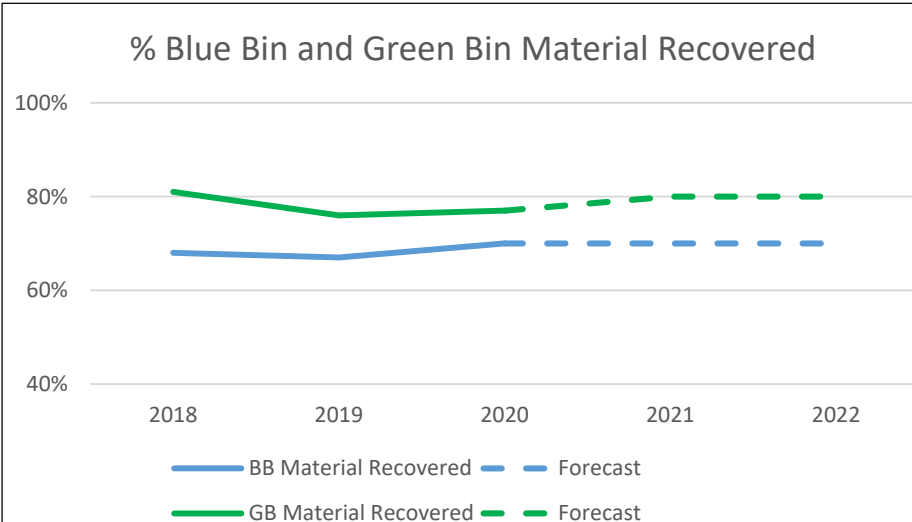


- Solid Waste Management Services' renewable energy trajectory includes utilizing biogas from organics processing facilities including Dufferin in 2020, Disco Road in 2022 and biogas from a 3rd anaerobic digestion facility in 2028.
- Through further capital investments, there is an opportunity to use landfill gas from Green Lane Landfill and Keele Valley Landfill to generate renewable energy. Solid Waste Management Services has a new Manager of Stakeholder and Community Outreach and has hired consultants to conduct feasibility studies to help assess whether Solid Waste Management Services can harness landfill gas to generate renewable energy and reduce GHG emissions.

How Well We Are Doing – Results Based Accountability Outcomes



- In 2021, a 1.5% rate increase is intended to mitigate impacts on Solid Waste Management Services customers in response to the ongoing COVID-19 pandemic.
- To ensure sufficient balances in reserve, 2022 reflects a 3% rate increase and continues year over year.
- The introduction of Extended Producer Responsibility (EPR) will help stabilize the rate. If EPR is not realized by 2024 and \$15 million from EPR efficiencies is not recovered, Solid Waste Management Services will need to increase the rate over the following few years.



- Currently, Solid Waste Management Services recovers a majority of Blue Bin Recycling and Green Bin Organics material.
- Some components of these streams are not recovered, as they are either not accepted in the program, or are not able to be processed, and leave the systems as residue. Residue is then sent to landfill. For example, diapers are accepted in the green bin program but the majority of the items is not able to be processed. These materials introduce financial and operational pressures on the programs because the material is required to be handled a second time.

2021 Challenges and Priorities

Key Risks and Challenges

- **Extended Producer Responsibility (EPR):** Regulatory landscape has yet to be defined and timing of City's transition between 2023-2025 remains uncertain.
- **Organics Processing Capacity:** Limited regional capacity to address increasing volume demand and population growth.
- **Landfill Capacity Constraints:** Long-term availability of provincial landfill space is limited and further compounded by recent changes to provincial legislation under the Environmental Assessment Act.
- **2021 Utility Rates:** 1.5% rate increase for 2021 recommended to assist in mitigating COVID-19 related financial pressures on residents/businesses; a loss of approximately \$3.3 million in previously anticipated revenues.

Priority Actions for 2021

- **Climate Change Resiliency:** RNG from Dufferin Organics Processing facility to be blended with City's Natural Gas; RNG infrastructure development continuing for the Disco Road Organics Processing Facility with commissioning anticipated in 2022.
- **Extended Producer Responsibility (EPR):** Development of recommendations for City's formal EPR transition plan, supporting negotiations on transition terms and conditions, and commencing work on a formal change management plan.
- **Organics Processing Capacity:** Advance project development work related to the 3rd Anaerobic Digestion (AD) Facility, maintaining target of commissioning in 2028.
- **Landfill Capacity Constraints:** Continue investigating long-term disposal options including landfill capacity development and energy from waste as well as site contract renegotiations and sending material to alternate sites.
- **Health & Safety:** Advance Vision Zero initiatives on Collection fleet. Enhance driver safety through new SWMS Training Facility. Environmental and Health & Safety Compliance unit to expand divisional oversight and compliance activities.

COVID-19 Impacts and Recovery - 2021 Projections

Financial Impact (Operating)

- Losses of \$3.333 million in previously anticipated revenues resulting from reducing the blended rate increase from 2.7% to 1.5% in 2021:
 - Transfer Station – \$0.897 million in tipping fee from the public & commercial use.
 - Collection Revenues – \$2.436 million.

The 1.5% rate increase reflects a one-time reduction from the planned 2.7%, to address affordability concerns resulting from the pandemic. The impact to planned revenue is addressed through mitigating actions detailed in the presentation

- Salary & Benefits due to vacant positions (hiring slow down) - \$2.613 million.
- Voluntary Separation Program - \$1.533 million.
- Cancellation of non-union progression pay - \$0.535 million.

Financial Impact (Capital)

- No anticipated impact on capital plan.

Service Level Changes

- No planned service level changes in 2021 due to COVID-19.

2021 Operating Budget Submission

2021 Operating Budget Submission

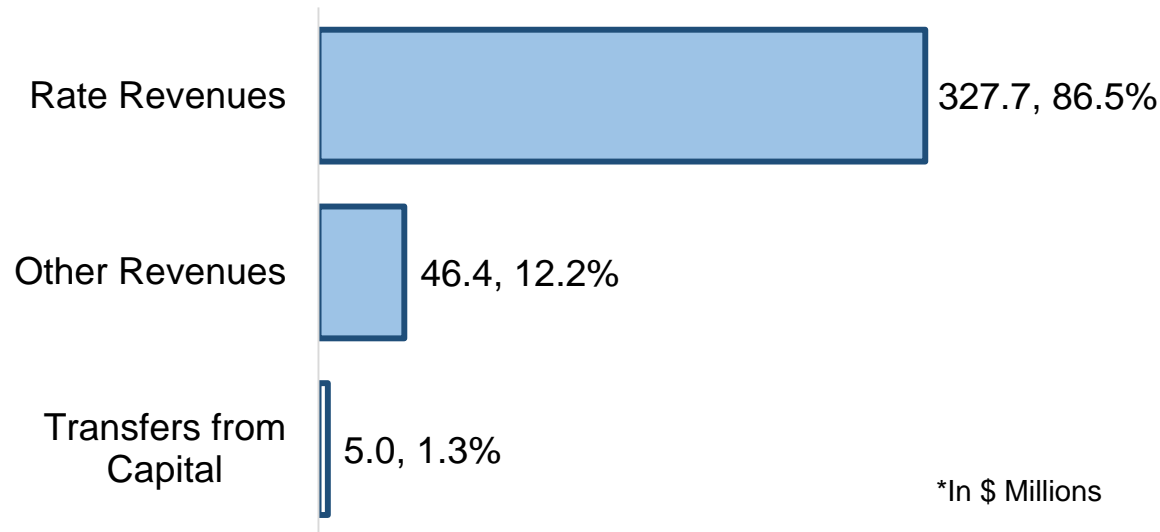
(In \$000s)	2019 Actual	2020 Budget	2020 Projection	2021 Base Budget	2021 New / Enhanced Requests	2021 Budget Request	Change v. 2020 Projection	
By Service	\$	\$	\$	\$	\$	\$	\$	%
Revenues								
City Beautification	1,646.7	1,564.9	1,564.9	6,498.9	6,498.9	6,498.9	4,934.0	315.3%
Residual Management	6,094.5	8,843.3	6,282.5	10,566.9	10,566.9	10,566.9	4,284.4	68.2%
Solid Waste Collection & Transfer	335,829.8	322,156.9	315,095.9	331,810.2	331,810.2	331,810.2	16,714.4	5.3%
Solid Waste Education & Enforcement	29.7	3.5	3.5	0.3	0.3	0.3	(3.2)	(92.2%)
Solid Waste Processing & Transport	65,856.0	46,335.3	35,772.9	30,234.0	30,234.0	30,234.0	(5,538.9)	(15.5%)
Total Revenues	409,456.7	378,903.9	358,719.6	379,110.2		379,110.2	20,390.6	5.7%
Expenditures								
City Beautification	35,256.1	38,340.7	36,165.5	37,288.4	37,288.4	37,288.4	1,122.9	3.1%
Residual Management	37,018.5	39,634.3	33,871.0	39,954.9	39,954.9	39,954.9	6,083.9	18.0%
Solid Waste Collection & Transfer	123,915.2	127,468.5	122,471.1	126,552.3	126,552.3	126,552.3	4,081.3	3.3%
Solid Waste Education & Enforcement	4,285.6	5,660.7	3,693.4	3,854.1	3,854.1	3,854.1	160.7	4.4%
Solid Waste Processing & Transport	125,880.2	149,632.9	144,929.7	154,323.5	154,323.5	154,323.5	9,393.8	6.5%
Subtotal - Gross Expenditures	326,355.6	360,737.1	341,130.6	361,973.3		361,973.3	20,842.6	6.1%
Capital Contribution	83,101.1	18,166.7	17,589.0	17,137.0	17,137.0	17,137.0	(452.0)	(2.6%)
Total Gross Expenditures	409,456.7	378,903.9	358,719.6	379,110.2		379,110.2	20,390.6	5.7%
Approved Positions	1,122.8	1,128.3	1,128.3	1,125.3		1,125.3	(3.0)	(0.3%)

*2020 Projection based on Q2 Variance Report

**2019 Actual excludes internal revenue and cost of Green Lane Landfills

How the Budget is Funded

Where the Money Comes From \$379.1 Million (2021)



Key Points

Rate Revenues

Represents 86.5% for total operating revenues.

Rate Increase

Includes a 1.5% rate increase for 2021, and a blended rate of 3% in 2022 and subsequent years.

The 1.5% rate increase in 2021 will be fully directed to capital reserve contribution.

Key Cost Drivers – Base Budget

Key Cost Drivers	2019 Actuals	2020 Projection	2021 Base Budget Submission	YoY Changes		Key Drivers to Preserve Service Levels and Address Issues
				\$	%	
Expenditures						
1 Salaries and Benefits	94,980.9	96,261.4	98,596.5	2,335.0	2.4%	Salaries & Benefits: Inflationary increases on existing salaries and benefits (\$0.634 million) and anticipated positions to be filled (\$6.383 million), to meet service demands, which were held vacant in 2020 due to COVID-19 response. Partially offset by reductions to account for vacancies, hiring slowdown (\$2.613 million) and voluntary separation program (\$1.533 million) in 2021 as mitigation strategies to address COVID-19 financial impacts. Materials and Supplies: Inflationary increases and operational requirements. Services and Rents: Inflationary and volume increases. Contribution to Reserves: Increase to debt reserve contribution offset by reduction in fleet reserve contribution.
2 Materials and Supplies	7,090.7	7,670.2	9,030.7	1,360.5	17.7%	
3 Equipment	307.4	298.6	232.1	(66.5)	(22.3%)	
4 Service and Rent	135,972.0	142,460.2	156,933.8	14,473.6	10.2%	
5 Contribution To Reserves	48,462.0	55,959.3	58,405.7	2,446.4	4.4%	
6 Other Expenditures (Inc. IDC's)	39,542.7	38,480.8	38,774.5	293.6	0.8%	
Subtotal - Gross Expenditures	326,355.6	341,130.6	361,973.3	20,842.6	6.1%	
Capital Contribution	83,101.1	17,589.0	17,137.0	(452.0)	(2.6%)	
Total Expenditures	409,456.7	358,719.6	379,110.2	20,390.6	5.7%	
Revenues						
1 User Fees & Donations	311,140.6	311,578.2	327,680.6	16,102.4	5.2%	User Fee Revenue: Increase in volume and rate fee. Other Revenue: Increase in interdivisional recoveries and RNG estimated revenue.
2 Other Revenues (Inc. IDR's)	98,316.1	47,141.4	51,429.6	4,288.2	9.1%	
Total Revenues	409,456.7	358,719.6	379,110.2	20,390.6	5.7%	
Approved Positions	1,122.8	1,128.3	1,125.3	(3.0)	(0.3%)	

*2020 Projection based on Q2 Variance Report

**2019 Actual excludes internal revenue and cost of Green Lane Landfills




2021 Balancing Actions

(\$000s)								
Recommendation	Savings Type	2021				2022		
		Revenue	Gross	Net	Positions	Gross	Net	Positions
Efficiencies/Savings	Efficiencies		(4,265.9)	(4,265.9)	-	(400.1)	(400.1)	-
Oversized Fee Increase	Revenue Increase (User Fees)	3,346.1		(3,346.1)	-	515.2	(515.2)	-
Hiring slow down	Other		(2,613.2)	(2,613.2)	-			
Voluntary Separation Program	Other		(1,533.3)	(1,533.3)	-			
Cancellation of Non-Union Merit Pay	Other		(534.6)	(534.6)	-			
Total Balancing Actions		3,346.1	(8,947.0)	(12,293.2)	-	115.1	(915.3)	-

- **Efficiencies/Savings:** Reductions in services and rents and other non-salary costs contributes to Solid Waste Management Services' efforts to manage continuous cost increases from internal and external sources. The reductions were achieved through implementation of operational efficiencies, plans to pilot service delivery changes in parks by replacing a selection of blue bins with black bins, reductions in advertising and education costs including switching to electronic calendars instead of physical copies, and contract re-negotiations.
- **Oversized Fees:** increase a user fee for all oversized collection to reflect cost recovery.
- **Hiring Slowdown/Voluntary Separation Program/Cancellation of Non-Union Performance Pay:** Mitigation efforts to address COVID-19 financial impacts.

2022 & 2023 Outlooks

(\$000s)	2020 Projection	2021 Budget Request	2022 Outlook	2023 Outlook
Revenues	358,719.6	379,110.2	390,578.7	402,361.4
Gross Expenditures	341,130.7	361,973.3	377,393.9	390,230.7
Capital Contribution	17,588.9	17,137.0	13,184.8	12,130.8
Approved Positions	1,128.3	1,125.3	1,121.3	1,119.3

	2022 Drivers	2023 Drivers
 Salaries & Benefits:	\$0.8 M	\$1.2 M
 Inflation Impact:	\$3.4 M	\$1.9 M
 Contribution to Vehicle and Other Reserves:	\$11.1 M	\$9.6 M

2021 – 2030 Capital Budget & Plan Submission

Capital Assets to Deliver Services

Asset Value – \$0.782 Billion

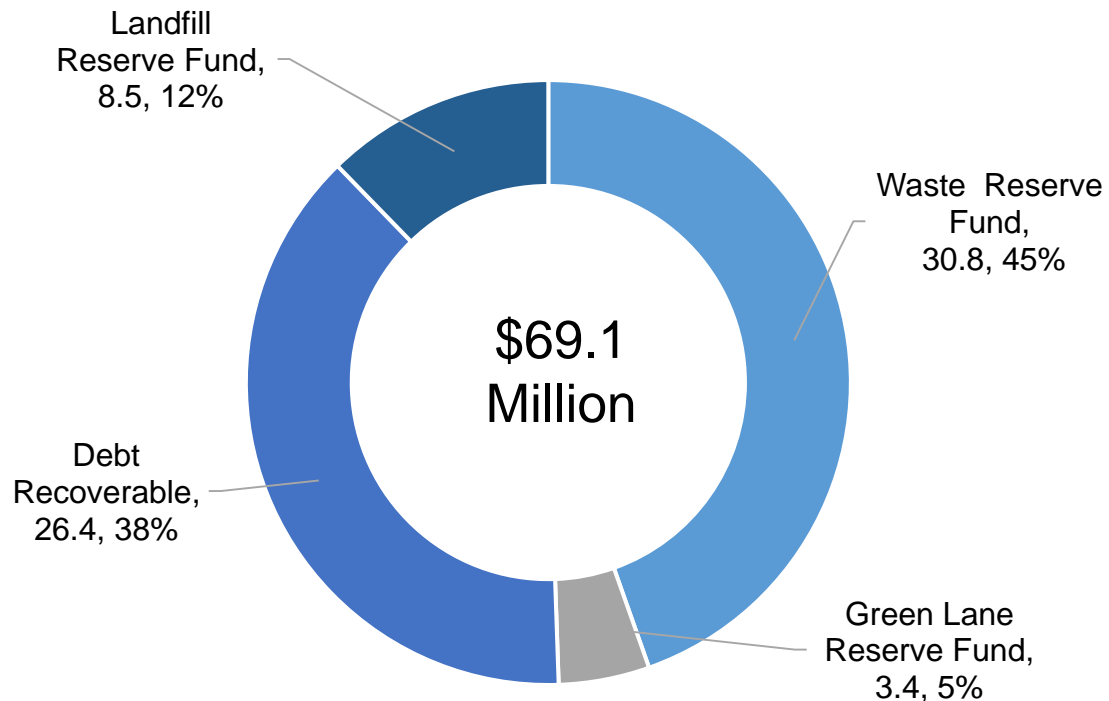
- 7 Transfer Stations - \$270.5 Million
- 2 Organics Processing Facilities - \$157.2 Million (one under expansion)
- 4 Collection Yards - \$16.3 Million
- 1 Maintenance Yard - \$20.0 Million
- Green Lane Landfill + 160 Closed Landfills - \$17.7 Million
- 1.5 million residential bins - \$126.6 Million
- 690 vehicles and pieces of equipment - \$173.3 Million

2021 - 2030 Capital Program Breakdown

Where the Money Comes From

2021 Capital Budget

In \$ Millions



What This Buys (2021 – 2030)

- 37% (\$275.5 M) is allocated to Legislated projects, which includes Green Lane Landfill Site projects.
- 34% (\$248.9 M) is allocated to Service Improvement and Growth Projects, which include Land Fill Gas Utilization and 3rd Organics Processing Facility.
- 29% (\$213.1 M) is allocated to State of Good Repair (SOGR) projects to maintain existing assets and facilities.

\$737.5 Million 10-Year Capital Program

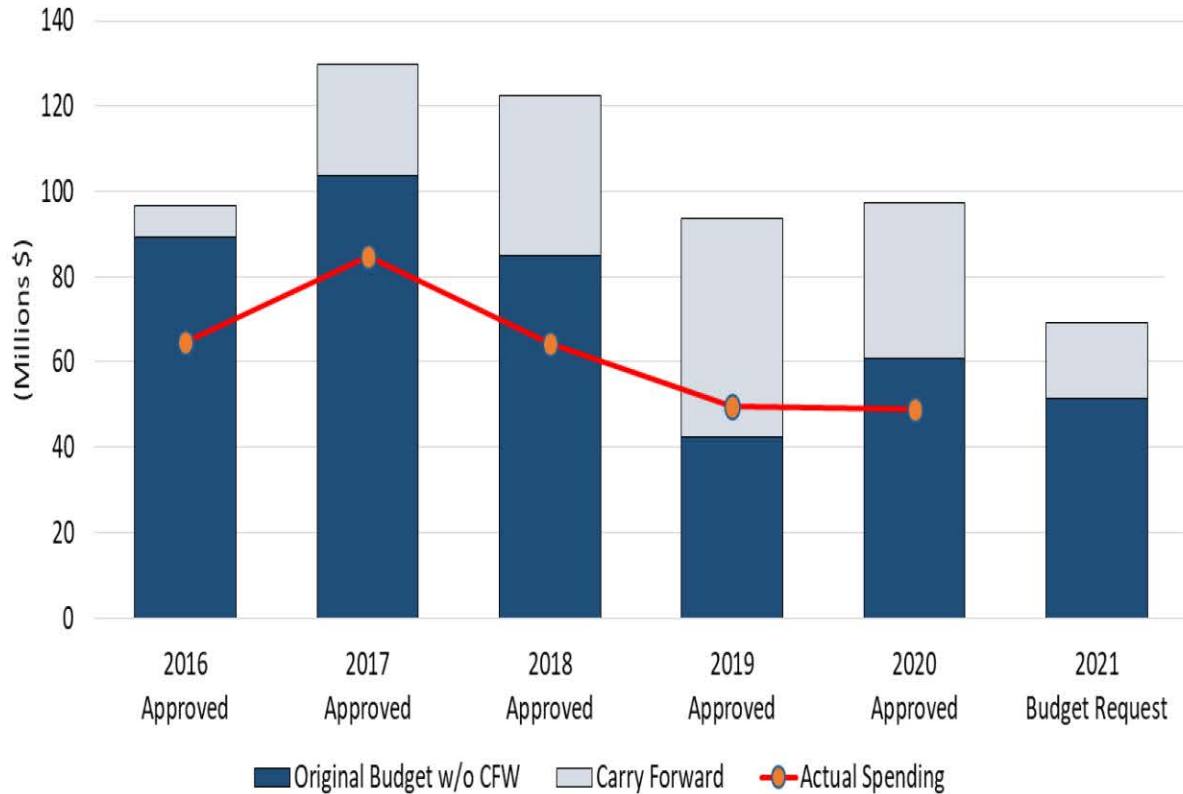
				
<p>Maintaining Infrastructure</p>	<p>Landfill Development and Management</p>	<p>Long Term Waste Management Strategy</p>	<p>Organics Processing Facilities</p>	<p>Biogas/Landfill Gas Utilization</p>
<p>\$257.262M 35%</p>	<p>\$275.477M 37%</p>	<p>\$21.243M 3%</p>	<p>\$130.200M 18%</p>	<p>\$53.272M 7%</p>
<p>Transfer Station Asset Management Collection Yard Asset Management Diversion Facilities Asset Management Dufferin Waste Facility Site Improvement Fleet Technology Enhancements</p>	<p>Green Lane Landfill Landfill Capacity Development Perpetual Care Of Closed Landfills</p>	<p>Long Term Waste Management Strategy</p>	<p>Disco SSO Facility Dufferin SSO Facility Organics Processing Facility</p>	<p>Biogas Utilization Landfill Gas Utilization Renewable Natural Gas</p>

How the Capital Program is Funded

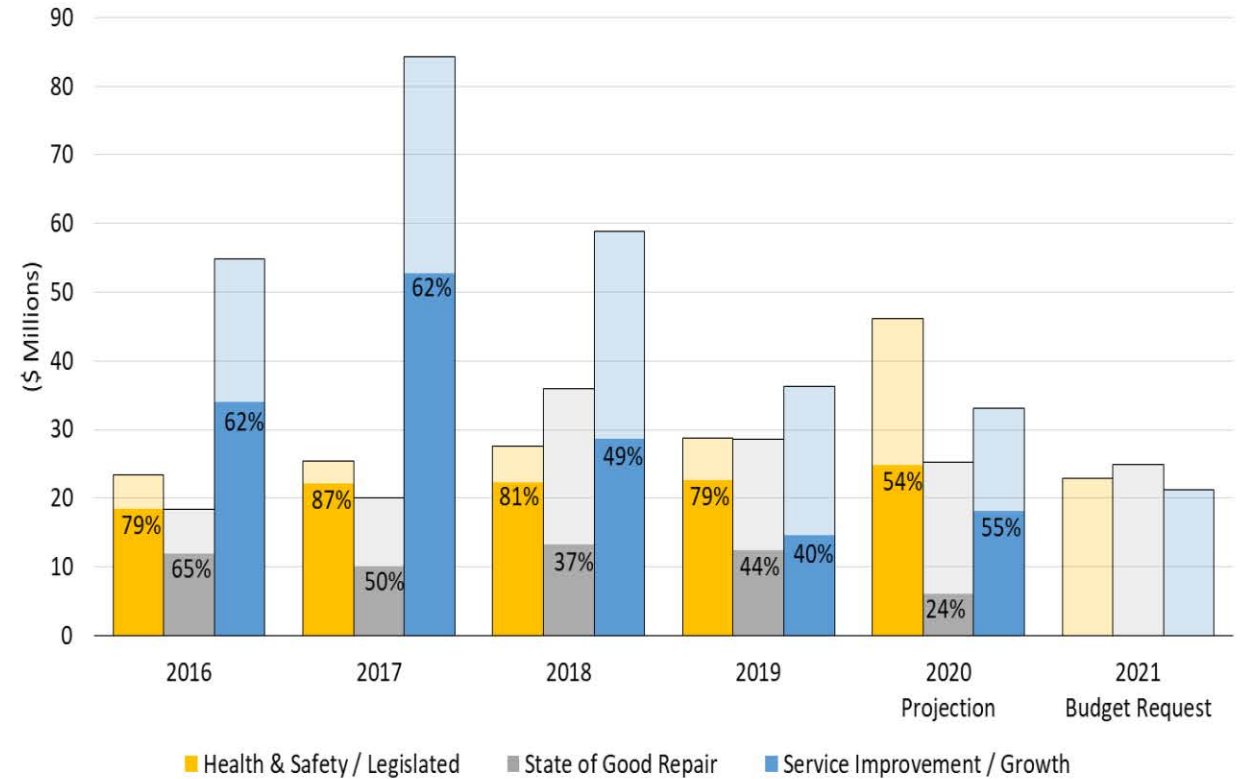
City of Toronto		Provincial Funding	Federal Funding
\$ 737.5 M 100%		\$ 0.0 M 0%	\$ 0.0 M 0%
Recoverable Debt	\$ 378.3 M		
Waste Reserve Fund	\$ 206.2 M		
Green Lane Reserve Fund	\$ 78.4 M		
Landfill Reserve Fund	\$ 74.6 M		

Capacity to Spend

Carry Forward Impact Vs. Capacity to Spend



Budget Vs. Actual Spending by Category



State of Good Repair (SOGR) Funding and Backlog



- Fully funded with recommended budget framework.

2021 Recommended Solid Waste Rate

Solid Waste Rate Model Assumptions for 2021

Capital Expenditure Rate Forecast

- 2020: 51% (as at Q2 2020)
- 2021 and forward: 70%

Rate Increases

- 2021: 1.5%
- 2022 & 2023: 3%
- 3% all future years

Projected Solid Waste Rate Increase

Customer type	Approved	Recommended for 2021 Approval			Projected Rate Increases						
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Multi Residential	1.50%	1.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Single Family & RUAC	2.50%	1.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Commercial and others	6.00%	1.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Blended (Excluding Oversized)	2.45%	1.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

Thank You

Appendices

COVID-19 Financial Impact - Operating

COVID-19 Impacts	(\$000s)					
	2020			2021		
	Revenues	Gross	Net	Revenues	Gross	Net
Revenue Loss						
Tipping revenues at transfer stations	(5,048.3)		5,048.3			
Collection revenues	(2,218.5)		2,218.5			
Tipping revenues at transfer stations (1.5% rate vs 2.7% blended rate)				(897.0)		897.0
Collection revenues (1.5% rate vs 2.7% blended rate)				(2,436.5)		2,436.5
Sub-Total	(7,266.8)		7,266.8	(3,333.5)		3,333.5
Expenditure Increase						
Processing cost of green bins		376.0	376.0			
Salary & Benefits and other cost		420.0	420.0			
Sub-Total		796.0	796.0			
Savings due to Underspending						
Processing and disposal cost		(2,702.0)	(2,702.0)			
Sub-Total		(2,702.0)	(2,702.0)			
Savings due to Management Actions						
Salary and Benefits Hiring Slowdown		(4,121.0)	(4,121.0)	(2,613.2)		(2,613.2)
Voluntary Separation Program				(1,533.3)		(1,533.3)
Non-Union Merit Pay				(534.6)		(534.6)
Sub-Total		(4,121.0)	(4,121.0)	(4,681.1)		(4,681.1)
Total COVID-19 Impact	(7,266.8)	(6,027.0)	1,239.8	(3,333.5)	(4,681.1)	(1,347.6)

*Revenue loss in 2021 is due to 1.5% rate increase as a result of COVID-19

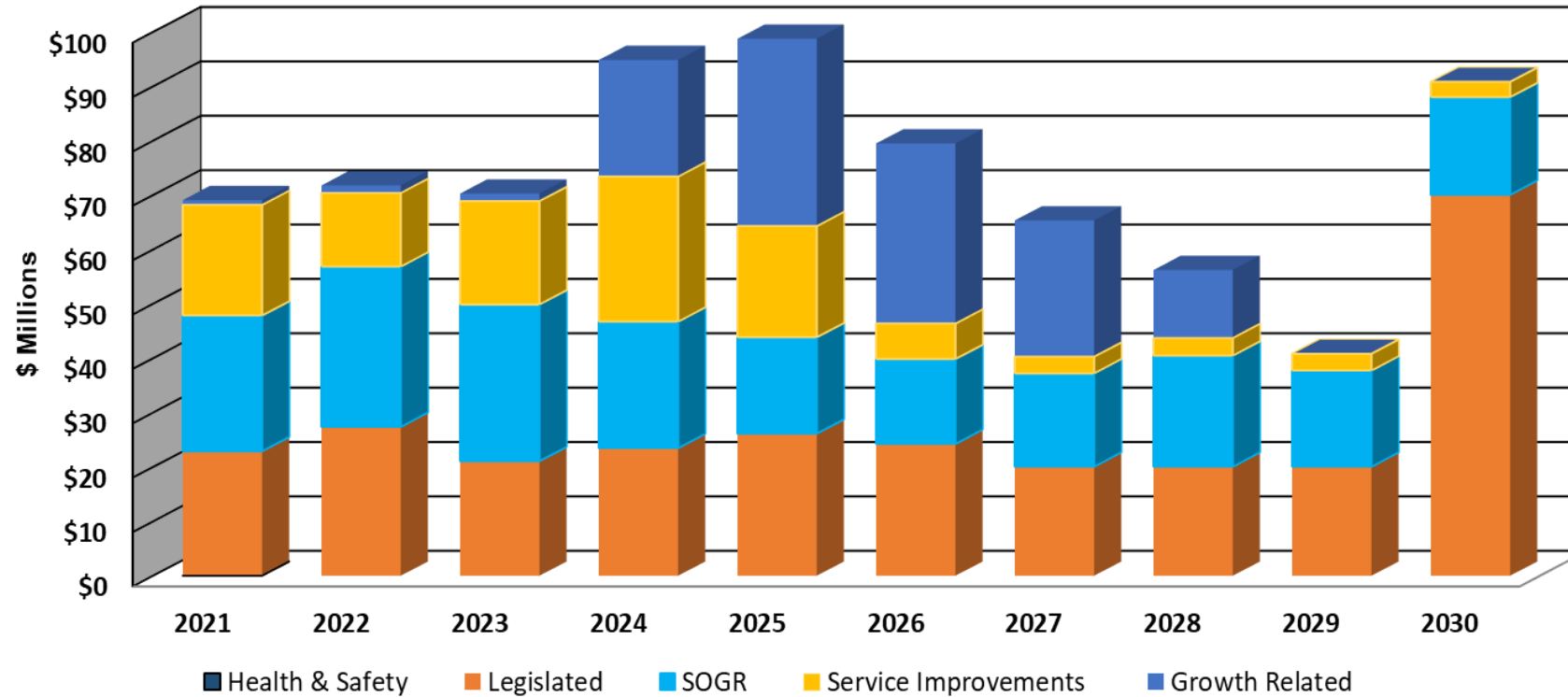
COVID-19 Financial Impact - Capital

(\$000s)								
COVID-19 Impacts	2020		2021		2022-2030		Total 2021-2030	
	Gross	Debt	Gross	Debt	Gross	Debt	Gross	Debt
Change in Projects - Reduced / Deferred								
Fleet Technology Enhancements	(1,070.0)							
Hybrid SUV - Contamination Unit	(28.0)							
Total COVID-19	(1,098.0)							

2021 Capital Budget; 2022 - 2030 Capital Plan Including Carry Forward Funding

Project Code	(In \$000s)	2021 Budget	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan	2029 Plan	2030 Plan	2021 - 2030 Total	Health & Safety & Legislated	SOG	Growth & Improved Service
SW001	Biogas Utilization	226	663	-	-	-	-	-	-	-	-	889			889
SW002	Collection Yard Asset Management	1,422	1,490	1,436	1,022	1,161	1,086	1,320	1,565	1,527	1,441	13,470		13,468	2
SW003	Disco SSO Facility	29	-	-	-	-	-	-	-	-	-	29			29
SW004	Diversion Facilities Asset Management	1,579	-	-	-	-	-	-	-	-	-	1,579		1,579	
SW005	Diversion Systems Bins	3,560	3,560	2,560	2,560	2,560	2,560	2,560	2,560	2,560	2,555	27,595			27,595
SW006	Dufferin Sso Facility	346	25	-	-	-	-	-	-	-	-	371			371
SW007	Dufferin Waste Facility Site Improvement	6,346	10,012	10,010	2,960	-	-	-	-	-	-	29,328		29,328	
SW008	Engineering Planning Studies	1,350	1,117	180	-	-	-	-	180	-	-	2,827			2,827
SW009	Fleet Technology Enhancements	3,600	-	-	-	-	-	-	-	-	-	3,600			3,600
SW010	Green Lane Landfill Development	13,415	15,200	12,400	12,400	15,400	12,400	12,400	12,400	12,400	12,400	130,815	130,815		
SW011	Landfill Gas Utilization	1,387	3,987	11,009	20,600	14,600	-	-	-	-	-	51,583			51,583
SW012	IT Corporate Initiatives	993	480	845	-	-	-	-	-	-	-	2,318			2,318
SW013	Landfill Capacity Dev/Energy From Waste	1,000	2,000	2,000	5,000	5,000	5,000	-	-	-	50,000	70,000	70,000		
SW014	Long Term Waste Management Strategy	5,408	2,450	3,949	3,002	2,967	3,467	-	-	-	-	21,243			21,243
SW015	OPF Asset Management	2,366	4,974	4,282	6,380	4,099	2,108	3,317	6,327	3,203	4,103	41,159		41,159	
SW016	Organics Processing Facility	500	1,361	1,378	21,446	34,450	33,107	25,055	12,503	-	-	129,800			129,800
SW017	Perpetual Care Of Landfills	8,485	10,190	6,677	6,087	5,737	6,857	7,658	7,657	7,657	7,657	74,662	74,662		
SW018	Renewable Natural Gas KVL	-	300	500	-	-	-	-	-	-	-	800		800	
SW019	SWM IT Application Initiatives	3,763	1,267	475	516	316	500	500	500	500	250	8,587			8,587
SW020	Transfer Station Asset Management	13,254	12,704	12,580	12,882	12,472	12,408	12,530	12,533	12,966	12,420	126,749		126,749	
SW021	Two-Way Radio Replacement	50	-	-	-	-	-	-	-	-	-	50			50
	Total Expenditures (including carry forward from 2020)	69,079	71,780	70,281	94,855	98,762	79,493	65,340	56,225	40,813	90,826	737,454	275,477	213,083	248,894

2021-2030 Capital Budget & Plan by Project Category



2021 - 2030 Capital Budget and Plan by Category											
\$ Millions	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Health & Safety											
Legislated	22.9	27.4	21.1	23.5	26.1	24.3	20.1	20.1	20.1	70.1	275.5
SOGR	25.0	29.5	28.8	23.2	17.7	15.6	17.2	20.4	17.7	18.0	213.1
Service Improvements	20.3	13.5	19.0	26.7	20.4	6.5	3.1	3.2	3.1	2.8	118.7
Growth Related	0.9	1.4	1.4	21.4	34.5	33.1	25.1	12.5			130.2
Total	69.1	71.8	70.3	94.9	98.8	79.5	65.3	56.2	40.8	90.8	737.5

Capital Needs Constraints



- Fully funded with recommended budget framework.